

Country Report **7**

Japan Country Report

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JAPAN

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The relevance of Japan's development experience

Based on their own experience, the Japanese believe that deepening integration and narrowing development gaps can be achieved simultaneously with proper policy arrangements.

As a forerunner of economic development in East Asia, Japan can surely provide various lessons with both positive and negative examples to neighboring countries. However, note that Japan experienced rapid economic growth way before the current globalization era. The old-fashioned industrial policy accompanied with trade protection, for example, does not seem to be applicable today anymore. Japan did not utilize inward FDI very much after the Second World War. Today, globalization provides both opportunities and risks in a much more salient way to developing economies, which Japan did not necessarily encounter before.

Japanese firms, together with other multinationals, have played an important role in formulating international production/distribution networks in the region. Japanese official development assistance (ODA) and other development initiatives have progressively promoted economic growth of the region. Japanese beyond-border activities, as such, can also be important sources of novel ideas for development strategies.

Globalization and domestic reform

The Japanese experience highlights the outstanding contrasts between sectors that have properly responded to globalization and those that have not. Globalization has obviously benefited sectors with adequate policy reforms. Sectors behaving against globalization have fallen into trouble.

Japan should establish a coherent system of various policies so as to meet regional and global initiatives for economic integration. Further domestic reform in lagging sectors is urgently needed so as to remove useless politico-economic conflict and to instead establish strategic economic diplomacy.

SMEs and equitable growth

The Japanese have thought much of the development of SMEs for both equity and efficiency. Japan, in fact, strongly supports the initiative of fostering SMEs in neighboring countries. The full range of SME promotion policies applied in Japan can be a good reference point for SME development in the region.

Seeking sustainability

In the past, Japan experienced a series of hardships in energy and environment and bitterly learned the importance of sustainability. Again, these Japanese experiences as well as its hard/soft technologies in these fields may be helpful for its neighboring countries.

The importance of the ERIA initiative

Despite the vigorous effort toward economic integration, intellectual support for integration initiatives has been extremely thin and weak in ASEAN and East Asia. The establishment of the ERIA should provide regional policymakers with useful policy guidance and, at the same time, enhance the region's policy research capacity.

There are waves of new academic literature that explain the mechanism of globalizing economic activities, which are particularly applicable to East Asia. The ERIA can apply a proactive approach in its research works in the effort to both deepen integration as well as narrow development gaps.

Japan strongly supports the establishment of the ERIA from both financial and intellectual perspectives.